

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7050

BILL NUMBER: HB 1239

NOTE PREPARED: Jan 26, 2012

BILL AMENDED: Jan 12, 2012

SUBJECT: Financial Institutions and Consumer Credit.

FIRST AUTHOR: Rep. Burton

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill makes various changes to the laws concerning: (1) financial institutions; (2) debt management companies; (3) pawnbrokers; (4) money transmitters; (5) check cashers; (6) persons licensed under the Uniform Consumer Credit Code; (7) first lien mortgage lenders; and (8) rental purchase agreements. It repeals the definition of "office of thrift supervision" in the statutes governing the charter conversion of a: (1) building and loan association to a stock building and loan association; (2) mutual or stock savings association to a commercial bank; (3) mutual savings association to a mutual savings bank; (4) mutual or stock savings association to a stock savings bank; and (5) mutual savings bank to a stock savings bank.

It changes the statute governing savings banks: (1) to repeal the definitions of "community based economic development" and "community development corporation"; and (2) to recodify the definitions in another provision of the statute. It also repeals a provision that requires a savings bank to maintain 60% of its assets in certain qualified investments under the Internal Revenue Code. The bill repeals a provision that: (1) concerns the effect of a revocation, suspension, or surrender of a pawnbroker license on existing pawnbroker contracts; and (2) is incorporated into another provision of this bill.

Effective Date: January 1, 2012 (retroactive); July 1, 2012; January 1, 2013.

Explanation of State Expenditures: *Department of Financial Institutions (DFI):*

Change in Control: The bill provides that in making a determination as to whether to approve an application for a change in control, the DFI may conduct any investigations the director of the DFI determines is warranted. Current statute provides that a corporation may not acquire control of any bank, trust company, stock savings bank, holding company, corporate fiduciary, or industrial loan and investment company unless the DFI has

received and approved an application for a change in control. The DFI's current level of resources should be sufficient.

Credit Unions: This bill provides that DFI may impose a regulation, rule or policy to allow credit unions to purchase and hold certain life insurance policies. The DFI's current level of resources should be sufficient.

Revocation of Licenses: This bill establishes a procedure for revoking licenses held by pawnbrokers, money transmitters and check cashers. This bill provides that before the DFI revokes a license, the DFI must issue to a licensee an order to show cause why the licensee's license should not be revoked or suspended. The bill provides that the licensee is entitled to a hearing. The bill also allows a licensee to appeal a revocation or suspension. The DFI's current level of resources should be sufficient.

Community Based Economic Development: This bill provides that the aggregate of all equity investments by a bank or trust company in a community development corporation may not exceed 5% of the capital and surplus of the bank or trust company without the prior written approval of the director of the DFI. The bill outlines certain factors the director must take into consideration in making this determination.

Explanation of State Revenues: *Examination Late Fees:* This bill allows the DFI to impose a late fee established by the DFI under IC 28-11-3-5 on pawnbrokers, check cashers and money transmitters for each day an examination cost is late. Current statute provides that if the DFI examines the books, accounts and records of a holder of a pawn broker license, money transmitter license or a check casher license, the licensee is responsible for paying all reasonable costs incurred in the examination. The current late fee established by the DFI is \$20 per day. A payment is considered late if paid after 60 days. This provision could increase revenue to the DFI's Financial Institutions Fund. The extent of the increase in revenue would depend on the number of licensees who fail to make payment on time and the number of days a payment is late.

Background Information - The DFI is funded by bank examination fees placed into dedicated funds. The DFI generated approximately \$7.8 M in total revenue during FY 2011. Revenue is placed into the Department of Financial Institutions Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DFI.

Local Agencies Affected:

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